

**REPORT OF THE AUDIT OF THE
BALLARD COUNTY
CLERK**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BALLARD COUNTY CLERK

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts has completed the Ballard County Clerk's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$2,594 from the prior year, resulting in excess fees of \$38,875 as of December 31, 2008. Revenues increased by \$9,639 from the prior year and expenditures increased by \$7,045.

Report Comment:

- Internal Controls Over Financial Reporting Should Be Strengthened

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Vickie Viniard, Ballard County Judge/Executive
The Honorable Lynn W. Lane, Ballard County Clerk
Members of the Ballard County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Ballard County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2009 on our consideration of the Ballard County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Vickie Viniard, Ballard County Judge/Executive
The Honorable Lynn W. Lane, Ballard County Clerk
Members of the Ballard County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Internal Controls Over Financial Reporting Should Be Strengthened

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Ballard County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

September 22, 2009

BALLARD COUNTY
LYNN W. LANE, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

State Grants	\$	500
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State:

State Fees For Services	\$ 3,669	
County Clerk Revenue Supplement	60,610	64,279

Fiscal Court		21,096
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	326,788	
Usage Tax	748,434	
Tangible Personal Property Tax	795,281	
Lien Releases	5,224	
Title and Notary Fees	2,620	

Other-

Fish and Game Licenses	29,842	
Marriage Licenses	4,047	
Occupational Licenses	1,105	
Deed Transfer Tax	16,287	
Delinquent Tax	82,612	2,012,240

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	8,111	
Real Estate Mortgages	16,173	
Chattel Mortgages and Financing Statements	25,178	
Powers of Attorney	1,046	
All Other Recordings	16,370	

Charges for Other Services-

Copywork	5,505	72,383
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Other:

Miscellaneous		7,367
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Interest Earned		623
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Total Revenues		2,178,488
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The accompanying notes are an integral part of this financial statement.

BALLARD COUNTY
 LYNN W. LANE, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 240,299
Usage Tax	725,794
Tangible Personal Property Tax	280,613

Licenses, Taxes, and Fees-

Fish and Game Licenses	29,571
Marriage Licenses	1,539
Delinquent Tax	8,916
Legal Process Tax	7,952
Affordable Housing Trust	12,018
	<u>\$ 1,306,702</u>

Payments to County:

Tangible Personal Property Tax	118,821
Delinquent Tax	14,809
Deed Transfer Tax	15,473
Occupational Licenses	651
Tax Bill Preparation	1,676
	<u>151,430</u>

Payments to Other Districts:

Tangible Personal Property Tax	364,037
Delinquent Tax	37,728
	<u>401,765</u>

Payments to Sheriff 1,227

Payments to County Attorney 11,647

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	117,876
Part-Time Salaries	12,139

Contracted Services-

Database Management Support	10,395
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Materials and Supplies-

Office Supplies	3,062
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Election Expenses-

Worker Compensation	15,024
Supplies	126

BALLARD COUNTY

The accompanying notes are an integral part of this financial statement.

LYNN W. LANE, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay (Continued):

Other Charges-			
Conventions and Travel	\$	4,180	
Dues		400	
Postage		89	
Bad Debt Expense		36	
Refunds		2,265	
Miscellaneous			
Capital Outlay-			
Office Equipment		24,892	
Grant Expenditure-			
Digital Imaging		500	\$ 190,984
Total Expenditures			\$ 2,063,755
Net Revenues			114,733
Less: Statutory Maximum			68,733
Excess Fees			46,000
Less: Expense Allowance		3,600	
Training Incentive Benefit		3,525	7,125
Excess Fees Due County for 2008			38,875
Payment to Fiscal Court - March 13, 2009			38,875
Balance Due Fiscal Court			\$

The accompanying notes are an integral part of this financial statement.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.5 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Ballard County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Ballard County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Computer Support

The Ballard County Clerk entered into a contractual agreement renewable annually for support and upgrades of the office's records management software. The contract was paid in June 2008 for a price of \$10,395.

BALLARD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 5. Grant

The Ballard County Clerk received a local records grant from the Kentucky Department for Libraries and Archives during the 2007 calendar year in the amount of \$10,000. The purpose of grant funds was to update the Clerk's county records and indexing and making these records available on computer. During 2008, the remaining balance of \$500 in the Clerk's grant fund was expended to complete grant activities.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Vickie Viniard, Ballard County Judge/Executive
The Honorable Lynn W. Lane, Ballard County Clerk
Members of the Ballard County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Ballard County Clerk for the year ended December 31, 2008, and have issued our report thereon dated September 22, 2009. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ballard County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- Internal Controls Over Financial Reporting Should Be Strengthened



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Ballard County Clerk's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Ballard County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

September 22, 2009

COMMENT AND RECOMMENDATION

BALLARD COUNTY
LYNN W. LANE, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2008

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

Internal Controls Over Financial Reporting Should Be Strengthened

During our audit, we determined there existed deficiencies in the County Clerk's internal control procedures, which limit the effectiveness of the overall internal control environment. Due to the office's small size and diversity of daily operations, there exists a lack of proper segregation of duties. Budget restraints limit the County Clerk's ability to employ sufficient staffing to effectively segregate duties and offset the risks of financial reporting errors and fraud. The Clerk must therefore create a strong system of compensating controls that can offset these risks and create an environment in which at least two employees are involved in all aspects of financial reporting.

The County Clerk has sufficient compensating controls over the processing and recording of cash receipts derived through daily operations. However, compensating controls over disbursements and reconciliations are limited or absent, with the County Clerk assuming most or all control over these procedures. We recommend the County Clerk allow a deputy to prepare checks for disbursements per supporting documentation. The Clerk should then review the check and compare it to supporting documentation, providing a second signature on the check and initialing the supporting documentation to document her review. The Clerk could also allow a deputy to prepare the bank reconciliation, reconciling the bank records to the accounting ledgers prepared by the County Clerk, and investigating any inconsistencies. The County Clerk should then review the reconciliation for accuracy and initial the reconciliation as documentation of this review. Such controls would limit possible misstatements in the financial statements and aid in discouraging and detecting fraud.

County Clerk's Response: None.

